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STATE SENATOR • 17TH SENATE DISTRICT

Capitol Update By Senator Howard Marklein January 20, 2017

What Is On the Horizon for Agriculture? *Highlights from the Ag Economic Outlook Forum*

Our dairy economy is improving, while our corn and soybean economy is struggling, according to the expert analysts at the annual Ag Economic Outlook Forum on Thursday, January 19, 2017. Wisconsin farm net incomes are down for the fourth consecutive year and the question on everyone's mind at the forum was – how many years can we continue to operate this way?

Each year, I attend the Ag Economic Outlook Forum that is hosted by the Renk Agribusiness Institute at the University of Wisconsin College of Agriculture and Life Sciences. This forum offers an analysis of the national and Wisconsin farm economy and forecasts for the future of agriculture over the next year. If you would like to review the data, information and ideas presented, please visit:
<http://www.aae.wisc.edu/>

The good news is that Wisconsin's dairy outlook is improving. Even though liquid milk consumption is on the decline, the consumption of cheese by consumers is growing. Last year, we crossed the threshold to consume 35 pounds of cheese per capita in the United States. This is more than double the consumption from 40 years ago. This may seem like a lot of cheese, but compared to France and Germany where they consume about 50 pounds per capita, we have some room to grow.

Our cows are producing more milk. The average dairy cow produces an average of about eight gallons of milk per day. To meet our domestic need, we need about eight million cows, but there are more than 9.3 million in the US herd. The production from 1.3 million cows must be exported.

Dr. Mark Stephenson, the Director of Dairy Policy Analysis at the UW forecasts that Class III milk will be up \$2.50 per 100 pounds of milk, and Class IV milk will be up \$3.40. This should bring a WI - All Milk Price up about \$2.45/cwt.

Milk production in Wisconsin is expected to exceed 30 billion pounds in 2017. Wisconsin set a goal to produce 30 billion pounds by 2020 in order meet the needs of our cheese producers and other dairy-related businesses. Several years ago, Wisconsin cheesemakers were actually importing milk from other states to meet the demand for their product! Dr. Stephenson predicts that we will reach this goal three years ahead of goal!

The outlook for our corn and soybean farmers is not good for 2017. Corn production in 2016 was at record levels. The carryover of corn (ending stocks) is at the highest level since 1987/88. The price

projection for corn for the 2017 crop is \$3.65/bushel. The average break-even cost for corn in Wisconsin for many farmers is \$4.20-\$4.60/bushel. It is anticipated that some acres of corn will be converted to soybeans in 2017.

According to Todd Hubbs from the Department of Agricultural and Consumer Economics at the University of Illinois, "the world is awash in soybeans." The U.S. soybean production was a record in 2017. Soybean yields hit record levels. Brazil also had a strong soybean production year. The U.S. carryover of soybeans is at a record level. The average Wisconsin break-even costs for many farmers for soybeans is \$9.20-\$9.60/bushel. Mr. Hubbs projects the market price of soybeans for the 2017 crop to be \$8.90/bushel.

The economic impact of the agricultural economy reach far beyond the farmer and producer in Wisconsin. Many very good paying jobs are related to food production, processing, packaging and equipment manufacturing. For example, heavy tank hauling is hugely impacted by the agricultural economy. One of the premier manufacturers of stainless steel tankers is Walker Stainless Equipment in New Lisbon. Walker employs a lot of people in very good-paying jobs. These jobs are impacted by agriculture as much as the income of the farmer.

Overall, the forum was a very helpful and informative deep dive into agricultural economics. My Senate District is heavily dependent on agriculture. All aspects of the agricultural economy from the farmer in the field to the worker on the packaging line are important to our rural communities.

For more information and to connect with me, visit my website <http://legis.wisconsin.gov/senate/17/marklein> and subscribe to my weekly E-Update by sending an email to Sen.Marklein@legis.wisconsin.gov. Do not hesitate to call 800-978-8008 if you have input, ideas or need assistance with any state-related matters.

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